

Attachment B: Overview of State and Local Green Building Incentive Programs

The following provides a general overview of green building incentives that have been successfully employed by state and local governments through out the nation. There are several incentives, identified with an "*", that may be best suited for use by a local jurisdiction. Given that local governments with zoning and land use authority serve as the primary contact with the development community, they may be best equipped to develop these types of incentive programs. Each approach is then discussed in further detail with community examples.

1. **Expedited Permitting***: Streamlining the plan approval and permitting process for site and building permits on projects that achieve a certain level of sustainability in order to save developers substantial time and money.
2. **Floor Area and Density Bonuses***: Increasing height or floor area ratios (FARs), beyond what is allowed by the City Code, and the consideration of green roof space as landscaping/open space in return for specific green measures or achieving levels of green building certification.
3. **Tax Incentives**: Providing temporary reductions in taxes (1-5 years) for specific green measures or level of certification to encourage small developers, large developers, short-term investors, or building owners to build or retrofit green.
4. **Service Fee Discounts or Waivers***: Reducing application, building, or permit fees charged for specific levels of LEED certification, installation of green technologies, or the retrofit of existing buildings through discounts, waivers, or partial reimbursements.
5. **Rebates**: Providing cash rebates on certain green features or environmental products in order to make green practices more affordable. Rebates are commonly directed at energy and water efficiency and include such features as HVAC systems, photovoltaic systems, water systems, appliances, etc.
6. **Grants**: Grant incentives subsidize the cost of certification or the installation of green systems. In some jurisdictions, all new buildings pay into a fund that supports grants for high performing buildings.
7. **Loans**: Providing loans at reduced interest rates to businesses or residents that agree to build to a specified green standard or retrofit and incorporate certain green features.
8. **Education and Technical Assistance***: Training and accrediting government planners, building inspectors, and other officials in order to educate the community at large, promote voluntary private and residential efforts, as well as develop better master plans, development review processes, and inspection processes to accommodate sustainable design.
9. **Bulk Purchasing and Leasing Assistance**: Jurisdictions that have significant purchasing power can buy green products in bulk and lease the equipment to businesses and residents.

- 10. Marketing, Publicity, and Awards*:** Local recognition that fosters community awareness and creates a market demand for sustainable design provides additional motivation to build green.

Expedited Permitting

A developer or builder currently waits a substantial amount of time to receive plan approval and building permits from a jurisdiction. In addition, owners cannot take possession or rent the structure until a final building inspection is performed and a certificate of occupancy is issued.

The time value of money is critical in making real estate decisions. The length of time between purchasing property, preparing development plans, construction, and occupancy is an important cost consideration with a tangible economic value. Streamlining the process for building, plan, and site permits can save the developer or builder significant savings in time and money. These savings may then be available to go beyond the minimum green building requirements and lead to exceptional green buildings.

Depending on the level of participation from developers or builders, this incentive may require additional staff or resources to process permits in a timely fashion and may not be cost-neutral to the City. All levels of review must have knowledgeable, trained staff. Expedited permitting has the potential to delay the processing of other applications. However, this could be a potential revenue generator for a jurisdiction, as expedited projects can increase tax revenues for the community.

Examples:

- South Carolina provides expedited permitting for commercial buildings meeting LEED standards upon the posting of an environmental performance bond.
- Santa Monica provides expedited permitting for new buildings and major renovations that receive LEED certification. All applicants wishing to receive priority plan processing must submit proof of LEED registration and a checklist indicating all of the credits that they plan to pursue. The city offers expedited processing through all city departments for buildings that pursue LEED certification. The expedited processing essentially moves a project to the front of the line. The actual amount of time that processing takes depends on a number of factors. There is no fixed turnaround time, but the project is given priority.
- The Chicago Green Permit Program takes a multi-tiered approach, offering three different incentive packages for green projects. The tiers are based on levels of LEED certification, as well as items from a “menu” that includes green roofs, renewable energy, and affordability. Buildings designed to be LEED Certified and that include one item from the menu qualify for Tier I, which delivers permits in less than 30 days. LEED Silver-certified buildings that select one menu item are eligible for Tier II, which expedites permits to less than 30 days and also waives the consultant review fee. Finally, buildings that are certified at least LEED Gold and feature two menu items can qualify for the Tier III incentive, which delivers permits in less than 15 days and waives the consultant fee. As is the case with most municipal green incentive programs, agreements must be signed to ensure the structure meets its sustainability goals; there are fines and penalties for not following through.

- Howard County expedites building permits if the checklist submitted indicates that the application is seeking certification at the LEED Gold or Platinum level.

Floor Area and Density Bonuses

Height bonuses, floor/area ratio (bonuses), and the counting of green roof space as landscaping/open space may be offered as incentives for achieving an exceptional green building rating. City zoning laws cap the density or floor area ratios (FARs) to specific levels set out in the City Code. This proposed incentive leverages the construction of exceptionally green buildings by increasing the otherwise applicable FARs to include a green building premium. In other words, if the builder constructs or retrofits an exceptional green building, the reward would be an additional floor or two of useable space. This additional square footage is available to be used, sold, or rented and increases the potential profits for commercial and multi-family developers and building owners.

This type of incentive program is most attractive in jurisdictions that have capacity shortfalls and may not be as effective in Rockville at this time. Granting additional density to exceptionally green projects would likely be cost neutral to the City – although the slightly larger buildings may take an incrementally larger amount of time for planning and permit reviews, this change would likely not significantly impact the level of effort. This additional space does not supersede any State or local restrictions on impervious surfaces, shrinking of stream buffers and other buffer requirements, or the unnecessary elimination of trees.

Examples:

- Seattle's downtown zoning legislation provides projects that achieve a LEED Silver rating or higher and contribute to affordable housing and other public amenities the ability to achieve greater heights and/or floor area for commercial and residential building. After developers/owners submit a letter of intent, the city will issue a permit and Certificate of Occupancy based on a good faith commitment. Applicants must submit documentation demonstrating LEED certification within 90 days or face a \$500/day penalty. Failure to demonstrate performance will also result in a penalty. All penalties contribute to the Green Building Fund.
- Arlington County Green Building Incentive Program awards additional density for new commercial and residential construction that achieves LEED certification. For office, the county offers 0.05 FAR for LEED Certified, 0.15 FAR for Silver, 0.35 FAR for Gold, and 0.45 for Platinum. For new high-rise residential, the county offers 0.10 FAR for LEED Certified, 0.20 for Silver, 0.30 for Gold, and 0.40 for Platinum. The Master Certificate of Occupancy is awarded when the building is certified.

Tax Incentives

Tax incentives can be offered for specific levels of green certification and can be adjusted to address the different needs and priorities of small developers, large developers, short-term investors, developers who maintain properties, and tenants. Additional costs for designing and constructing green buildings are typically paid up front, yet the benefits gained are earned over

the building's lifetime. Therefore, providing immediate tax benefits may encourage developers to build green.

Maryland Code, Tax-Property Article, § 9-242 permits county or municipal corporations to grant property tax credits for "high performance buildings" that achieve the Silver rating or higher in LEED or a comparable rating system. A number of communities have provided short-term substantial reduction from applicable property taxes for exceptionally green buildings. The tax reduction often applies for 3-5 years and saves the owner enough resources to make the construction of high performance more affordable. Rockville currently offers a similar 10% tax credit for historic property renovations.

Examples:

- Howard County has incorporated a property tax credit for high performance buildings that are certified under the LEED 2009 rating system. For new construction and core and shell, they offer a 5-year tax credit at the following levels: 25% for LEED Silver, 50% for LEED Gold, and 75% for LEED Platinum. For existing buildings, they offer a 3-year tax credit for meeting LEED-Existing Building certification at the following levels: 10% for Silver, 25% for Gold, and 50% for Platinum. These two programs are also not mutually exclusive – after the initial five-year tax credit expires, the building may be re-commissioned to meet LEED Existing Building requirements and receive the 3-year credit.
- Federal, state, and county tax incentives are also available for renewable energy, green building, and energy efficiency. Additional information regarding these existing programs is included in Attachment C.

Service Fee Discounts or Waivers

Commercial, multi-family, single family residential and even institutionally-owned buildings (e.g., churches, schools, government agencies) all pay some fees for City services. These service fees include plan review and permitting, building inspection, water, sewer, refuse and stormwater. This incentive involves reducing, waiving, or reimbursing one or more of these service fees such that the applicant would realize sufficient savings to encourage going beyond the building code requirements. While the plan review, permitting, and inspection fees are paid on a one time only basis, others are recurring. The cumulative money saved by the applicant provides an incentive to create an exceptionally green building or retrofit an existing building. This is particularly attractive to developers with short-term investment goals that may not occupy buildings long term and recoup returns on greater efficiencies and lower utility costs. These savings may also be useful for a homeowner trying to decide whether to install a renewable energy system. However, this incentive may reduce the revenue streams of several enterprise funds and therefore may have budget implications.

Examples:

- Tucson, Arizona provides a credit, up to \$1,000, or a permit fee refund for the installation of qualifying solar energy systems that displace at least 1,500-kilowatt hours per year. A total of \$200,000 is available for credits for new buildings and existing buildings.

- Riverhead, New York provides building permit fee discounts for the installation of energy conservation devices on residential or commercial buildings. A flat fee of \$150 was established for all energy conservation measures; replacing fees of up to \$1000.
- Ashville, North Carolina waives building permit fees (\$50-\$100) for certain energy efficient technologies and certifications (Energy Star rating, solar-energy systems, wind turbines). The program also reduces plan review fees by 50 percent for any building seeking LEED certification. These fee waivers are done through rebates.
- Portland, Oregon proposed a “feebate” program that is a market-based instrument that combines a fee for conventional construction, a waiver option for moderate green building improvements, and a reward for high performance green building projects. Under the proposal, developers of commercial buildings that measure 20,000 square feet or larger will be charged up to \$3.46 per square foot--but the fee will be waived entirely for LEED Silver buildings. For buildings that achieve LEED Gold or LEED Platinum status, rebates of \$1.73 to \$17.30 per square foot would be awarded. Multifamily residential units that are 5,000 square feet or larger would be given similar feebate opportunities.

Rebates

Some jurisdictions subsidize beyond-compliance upgrades through rebate programs. This is particularly popular for existing homes, especially low and moderate-income households, in need of energy efficiency improvements, stormwater management, and water conservation measures. Particular features, such as HVAC systems, weatherization, photovoltaic systems, programmable thermostats, compact fluorescent light bulbs (CFLs), in-home energy displays, and water systems can be promoted through rebates. This incentive may also be used to encourage commissioning of existing building energy systems.

This incentive is based on the notion that the City benefits from improving the energy efficiency, water efficiency, and stormwater management of residential properties. The rebate must be large enough to induce the resident into undertaking the upgrade(s). Rebate programs are often available for a limited time and on a first come first served approach. The Rockville Rainscapes program is a small-scale version of this incentive, offering residents limited rebates for rain barrels and conservation landscaping.

Examples:

- Seattle, Washington has established a series of rebates for commercial, residential, and multifamily buildings. Commercial rebates are available for boiler tune-ups, programmable thermostats, high efficiency clothes washers and kitchen equipment, lighting upgrades, low-flow fixture upgrades. Homeowners may receive rebates for weatherization, efficient furnaces, high efficiency clothes washers, Energy Star or tankless on-demand water heaters, and refrigerators. Multi-family developers, building owners, and tenants may also receive rebates for energy efficient construction, energy efficiency retrofits, high efficiency clothes washers, and low-flow fixtures upgrades.
- Federal and utility rebates are available for both residents and businesses. Improvements include the installation of energy efficient appliances, CFLs, and other energy efficiency

measures. Additional information regarding these existing programs is included in Attachment C.

Grants

Grant programs can offset a portion of the costs associated with energy efficiency, installation of green systems, or the cost of USGBC certification. Several jurisdictions require all new construction built to code minimum levels to pay into a green building fund, based upon square footage. Exceptional green buildings receive a waiver from this fee. This type of program creates an incentive to build green and provides a source of funding for grants.

Examples:

- Pasadena, California provides the following grants for achieving LEED certification: \$15,000 for Certification, \$20,000 for LEED Silver, \$25,000 for LEED Gold, and \$30,000 for LEED Platinum.
- Portland, Oregon has established a Green Investment Fund (GIF) that offers competitive grants up to \$225,000 to support innovative commercial and multifamily construction projects,
- Arlington County, Virginia established a Green Building Fund and a policy of having site plan developers who do not commit to achieving a LEED rating contribute to the Fund. The contribution is \$0.045 per square foot, which is refunded in its entirety if the building achieves LEED certification. The Fund is used to provide education and outreach to developers and the community.
- Federal and state grants are also available to fund renewable energy systems and energy efficiency improvements. Additional information regarding these existing programs is included in Attachment C.

Loans

Jurisdictions can establish a loan fund to be used specifically for green improvements. Revolving, low interest loan funds and extended payment options are often used to promote efficient use of existing utility or building infrastructure (i.e., infill and existing structure development). This method appeals to developers who can repay the loan through increased appraisal value of the green building as well as owners who are able to repay the loan through future energy savings.

Examples:

- Rockville currently offers low interest loans for housing rehabilitation to eligible homeowners. Funds for this program are provided by the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program. The program is administered by Rockville's Department of Community Planning and Development Services.
- Maryland, Montgomery County, and Pepco are developing loan programs for businesses and residential energy improvements. Additional information regarding these programs is included in Attachment C.

Education and Technical Assistance

Education is an important component of any incentive or green building program. Training planners, building inspectors, and other local officials is important to providing quality service and building community interest. Fostering a culture and knowledge base of sustainable design is effective in the long term.

Rockville is currently organizing LEED training for staff. Other opportunities include partnering with the state, Montgomery County, Pepco, and other jurisdictions to host information sessions and training on sustainable design and energy efficiency. Homeowner education and outreach may also include energy audits, insulation, purchasing energy efficient appliances, and behavioral changes.

Bulk Purchasing and Leasing Assistance

Some jurisdictions lease energy efficient equipment to businesses and residents in order to relieve the initial high costs of purchasing and/or installation. Savings are achieved because public entities have significant bulk purchasing power and have access to pre-arranged, tax-exempt lease purchasing financing. Although this involves an initial investment of funds, jurisdictions will generally make most of the money back from payments on the equipment. Given Rockville's size and available resources, this incentive program may not be best suited for the City's current needs.

Examples:

- Mississippi provides an energy efficiency lease program that provides universities, community colleges, hospital, state agencies, local governing authorities, and school districts the ability to lease-purchase energy efficiency services and/or equipment for up to 10 years.
- Santa Clara, California offers solar equipment for the heating of swimming pools, water processing, and domestic hot water. The city has a rental agreement with the property owners where they own and maintain the hardware (solar collectors, control, and storage tanks). The renter pays an initial installation fee and a monthly utility fee.

Marketing, Publicity, and Awards

Many municipalities offer marketing materials and good publicity to increase the visibility and community recognition of green projects. Plaques, job site signs, press in local papers and features on local websites are commonly used techniques.